

**Office of Inspector General
U.S. Department of State
U.S. Arms Control and Disarmament Agency
U.S. Information Agency, including
Broadcasting Board of Governors**

Reports and Testimony

February 1999

This report describes testimony provided by the Inspector General or other OIG officials and lists OIG reports issued during the period indicated. This report includes unclassified summaries of classified reports; all text in this report is unclassified. Classified reports are not distributed publicly. On occasion OIG distributes an unclassified version of a classified report; in such a case, this listing also indicates the issue date of the original report. In addition, all major reports, together with OIG investigative activities, are summarized in the Inspector General's semiannual reports to the Congress, which are publicly available every June and December.

Congressional Response

In February the Inspector General had several meetings with Members of Congress and professional committee staff of the House and Senate. The meeting with the new Ranking Minority Member of the House International Relations Committee gave the Inspector General and the Deputy Inspector General an opportunity to present an overview of the work of the OIG and to define our strategic goals, and to discuss current work and budget needs. Meetings with the professional staff of the House International Relations Committee and the House Ways and Means Committee addressed embassy security, the laser visa inspection, the Government Performance and Results Act of 1996 (GPRA), management challenges, and Year 2000 computer problems, and an assessment of host nations readiness for Year 2000. The month also presented several opportunities for the IG to provide testimony to congressional committees.

The Vice President's Global Forum on Fighting was held on February 24-26. For the conference, the Inspector General moderated a panel on the prevention and deterrence of corruption in government.

International Y2K Computer Problem

The Inspector General submitted a statement for the record on the Y2K computer problem to the House Committee on Ways and Means. In the statement, the Inspector General gave an overview of OIG work within the Department of State and the United States Information Agency and discussed OIG's international efforts to assess host country preparedness for the Year 2000. The statement presented four themes that emerged from the 20 site visits: 1) the inconsistent progress in industrialized countries, 2) the lack of financial and technical resources in developing countries, 3) the difficulty in assessing progress in Eastern Europe, and 4) the overall lack of Y2K readiness in the health care sector.

Management Challenges Facing the Department of State

The Inspector General testified before the House Committee on Government Reform, Subcommittee on National Security, Veterans Affairs, and International Relations on February 25, on major management challenges facing the Department of State, including USIA and ACDA. The testimony focused on progress made by the Department in three major areas: security vulnerabilities overseas including the immediate need for the Department to enhance emergency preparedness at overseas posts, Y2K compliance efforts by the Department, both domestic and overseas, including OIG efforts to assess the Y2K readiness of host countries where the US Government maintains a presence; and the Department's implementation of the Government Performance and Results Act of 1996. In addition to these three major issues, the

Inspector General identified several other significant challenges facing the agencies that OIG oversees including the need to strengthen border security, consolidation of the foreign affairs agencies, correct weaknesses in financial management and improve management and maintenance of real property.

Vice President's Global Forum on Fighting Corruption

The Inspector General moderated a panel titled Internal Oversight: Prevention, Detection and Investigation". The purpose of the panel was to identify common approaches and obstacles to internal government oversight mechanisms for the prevention, detection, and investigation of fraud, waste and abuse in the context of a variety of governmental structures. Panel participants included Michael Bromwich, Inspector General, US Department of Justice, Rodrigo Moraga Guerrero, Chairman, General Government Internal Audit Council, the Republic of Chile, Mirai R.K. Metembe, Minister of Ethics and Integrity, the Republic of Uganda, and George Baramidze, Chairman, anti-Corruption Investigations, the Republic of Georgia.

The panelist and conferees identified the following findings: 1) to serve our people, government must operate free from the waste and uncertainty that fraud and corruption create; 2) in countries where large scale privatization is replacing government-provided services, anti-corruption efforts must also encompass the private sector; 3) in newly independent nations an additional challenge to anti-corruption efforts is to build a sense of ownership where there was once widespread distrust of the government that had been extremely imposed; 4) whatever the government structure, transparency in governmental functions is essential to creating and maintaining the public's confidence in their government and in the integrity of public officials; 5) in countries where bribery has become a way of life, and graft is perceived as a necessary way of sustaining your family, corruption must be linked to a loss of public services that the government can provide; and 6) international cooperation against corruption is essential to ensure there is no safe haven or financial advantage for the gains associated with corrupt practices.

Reports Issued by the Office of Audits

Audit of the Real Property Advisory Board (99-PP-006)

OIG reviewed the activities of the Department's Real Property Advisory Board (the Board), which was established in April 1997 in response to a Congressional mandate and OIG and U.S. General Accounting Office findings. The Board serves as an arbitrator that makes recommendations to the Assistant Secretary for Administration (A) on the possible disposal of overseas real property. These properties are referred to the Board when disputes arise between various parties within the Department or between the Department and outside agencies concerning the disposal of these properties. The objectives of the review were to determine if the Board's actions on surplus properties met congressional intent, and if the Department adequately followed through on the Board's recommendations. OIG also evaluated the Department's newly implemented procedures to account for the proceeds of real property sales.

The Department established the Board as the Congress intended, properties were appropriately selected for the Board's review, the Board's recommendations were based on fair and sufficient information, and the Department was generally taking action on the Board's recommendations to dispose of properties. However, at two posts where the Board recommended and A approved properties for sale, the posts either delayed final action or did not start action to sell property because the posts requested A and the Office of Foreign Buildings Operations (A/FBO) to reconsider the Board's recommendations. A and A/FBO agreed to honor the requests; however, they did not develop procedures and time limits to ensure consistent and timely treatment of these requests. This created an informal appeals process that was neither proposed by the Congress nor included in the Board's charter, and it further delayed the sale of surplus property. In addition, the Department has made improvements in accounting for the proceeds of sale of real property, but deficiencies still existed. The Bureau of Finance and Management Policy (FMP) staff did not timely transfer about \$69 million in proceeds of sale to the new proceeds account that segregates the funds from the sale of real property from other A/FBO funds. This did not affect A/FBO's spending authority. FMP staff also did not (1) verify and reconcile the proceeds amounts in accordance with internal guidelines, resulting in an understatement of about \$70,000 credited to A/FBO's spending authority and (2) update Department regulations to show the changes in accounting procedures for proceeds of real property sales.

OIG recommended that A examine the Board's decision process to determine if an appeals process is needed and, if so, establish a formal appeals process to ensure consistency and timeliness of Department actions. If no appeals process is needed then the Board's decisions

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should be final. OIG also recommended that FMP formalize procedures for reporting proceeds from the sale of real property and revise and redistribute the guidelines to ensure (1) that the guidelines provided to each of the various FMP offices are consistent and (2) in conjunction with A/FBO, that posts provide FMP's Accounts Receivable Division the Optional Form-158 General Receipt for all proceeds collected.

Audit of the National Endowment for Democracy (USIA-99-CG-007)

The National Endowment for Democracy Act (Public Law 102-138), as amended in 1991, states that the Office of Inspector General (OIG) for USIA shall audit the National Endowment for Democracy (the Endowment) each fiscal year. In this audit, OIG reviewed the Endowment's transactions for FY 1994-96. The primary objective of the review was to determine whether the Endowment and its core grantees complied with Office of Management and Budget (OMB) procedures for administering and monitoring the use of grant funds. In addition, we assessed the Endowment's procedures and practices for (1) accounting for private contributions, (2) planning program objectives, (3) coordinating program proposals with other agencies, and (4) assessing program results.

OIG found that the Endowment and its core grantees generally complied with OMB A-133 audit requirements during the audit period. But improvements should be made in the selection of outside auditors, presentation of financial data in the OMB A-133 *Schedule of Federal Awards*, and completion of invoice verifications. In addition, the Endowment accounted for private contributions and had developed an approach for planning, coordinating, and evaluating its programs as recommended in prior General Accounting Office reports.

Endowment officials agreed with the thrust of the report's observations and recommendations, and we revised this report to incorporate Endowment comments where appropriate. With respect to competing their A-133 audits, the Endowment prepared a Request for Proposal (RFP) that will be used to compete its OMB A-133 audit for FY 1999. In addition, the Endowment officials stated that the FY 1998 audit report would identify USIA activity separately by grant numbers in the *Schedule of Federal Awards*.

Reports Issued by the Office of Inspections¹

Embassy Tokyo, Japan (ISP/I-99-04)

The economic and security relationship with Japan is vital to the advancement of U.S. interests in Asia and in the world. Led by a highly respected Ambassador, Embassy Tokyo is a well-run mission that actively participates in the Washington-led policy process. Its Mission Performance Plan (MPP) is comprehensive, but too long to be an effective management tool. A more concise statement of priorities is needed. The embassy is well positioned to coordinate the activities of executive branch agencies operating in Japan, and biennial summits would help coordinate policy in Washington. The Embassy should monitor USG requests for support from the Japanese Government. Activities of the constituent posts generally track with the MPP. They all should develop work, representation, and travel plans to focus their activities. The Department must develop mechanisms to ensure there is sufficient Japanese language and area expertise at all ranks over the long term. The language field school in Yokohama is key to achieving this objective. Greater use should be made of Japanese expertise in other agencies, particularly USIA and the Department of Commerce.

Too much of the present public diplomacy effort is directed at Tokyo audiences. The post should ensure that the distribution of public diplomacy resources reflects overall U.S. interests in Japan. A branch public affairs officer should be assigned as soon as possible to Okinawa, where most of the U.S. military is located. USIS-run American centers generally coordinate well with the consulates, but principal officers should be given responsibility for coordinating all public diplomacy activities within their consular districts.

Embassy Tokyo needs to address a number of significant real property issues, such as underutilization of some facilities. Despite a generally benign security environment, the five consulates and three American Centers outside consulates face a host of hard-to-fix problems, starting with setbacks. A memorandum of understanding between the chief of mission and USCINCPAC (clarifying responsibility for security of uniformed personnel in Japan not under the authority of a unified commander) would remove a vulnerability.

¹ Inspections carried out by the Office of Inspections comprehensively review the operations and overall management of a given post, mission, bureau, or office of the Department of State, Arms Control and Disarmament Agency, U.S. Information Agency, or the Broadcasting Board of Governors, without attempting to evaluate in-depth any particular function or program. Their main purpose is to bring important issues and management deficiencies to the attention of senior management together with recommendations for corrective action, although they also include self-evaluation and self-correction through counseling.

The embassy should devote greater attention to training its foreign national employees by conducting a mission-wide training inventory and establishing formal training programs at all posts. The embassy should also ensure there is no Tokyo-centric bias in FSN grade levels and in the granting of awards. Although information systems are being updated, long-standing problems of ready Internet and e-mail access and connectivity and compatibility of systems maintained by separate agencies require greater attention in Washington as well as Tokyo. The communication needs of the constituent posts and consular operations generally merit special consideration. Management controls are functioning well, with some important qualifications. Deficient procurement and contracting practices, both in Tokyo and at the constituent posts, however, are especially troublesome. Performance indicators in the MPP are for the most part too broad to constitute an accurate measure of overall mission effectiveness.

Embassy Harare, Zimbabwe (ISP/I-99-08)

American interests in Zimbabwe center on encouraging further moderation of its Marxist economic policies, democratization, and continuation of its racial harmony. U.S. policy emphasizes urging the Mugabe Government to end its military intervention in the Congo civil war. Commercial interests are limited in comparison with these objectives, but have occupied a disproportionate percentage of the post's resources in recent years. U.S. policy and Embassy programs must take into account increasing popular dissatisfaction with the country's single-party government.

Key Issues Identified

- The embassy needs to redirect its efforts from excessive concentration on commercial work to greater focus on political and economic issues. Rather than additional personnel, it should revise the way political, labor, and especially economic/commercial officers are utilized in order to improve reporting on these subjects.
- Despite immediate, energetic and effective measures by post leadership to improve security in the wake of bombings in East Africa, the chancery compound is not suitable from a security standpoint and a new facility should be obtained.
- Relations between the Ambassador and his senior staff have been difficult, and embassy operations and morale have suffered as a result. There are indications that extensive counseling during the inspection contributed to an improvement in this area.
- Administrative support and diplomatic readiness are generally good to excellent, but real property holdings are extensive and excess property is likely to exist in the future.

Embassy Lusaka, Zambia (ISP/I-99-09)

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American interests in Zambia center on encouraging a fragile democratic government to undertake politically difficult but necessary policy reforms in order to reverse or slow its dangerous economic decline. U.S. policy focuses in particular on urging Zambia to privatize its money-losing copper mines. By remaining neutral in both conflicts, Zambia has also emerged as a potential mediator in the civil wars in the Democratic Republic of Congo (DROC) and Angola.

Key Issues Identified

- State Department, USAID, and other elements of the mission cooperate unusually well in policy and resource planning. The MPP emphasizes practical support for Zambian reforms in economic policy and the strengthening of parliamentary and judicial institutions.
- An Ambassador and DCM with extensive experience in African affairs have effectively cultivated U.S. influence with official Zambian decision makers.
- Public diplomacy has been less successful. USIS operations in Zambia are limited and poorly coordinated with the mission's goals.
- The chancery compound is relatively secure, but the present USIS location is highly vulnerable. Operations should be promptly moved to a more secure location.
- Diplomatic readiness has suffered from poor performance in the communications and general service areas, while some internal management controls need to be tightened. This problem is exacerbated by lengthy gaps in American staffing. The Department has not provided a sufficient number of adequately trained personnel in key positions. Deaths and absences from AIDS among the locally hired staff have also added to a lack of experience and depth in several areas.

Embassy Lilongwe, Malawi (ISP/I-99-10)

Key Issues Identified

- Relations with Malawi are well managed by a highly experienced ambassador who clearly understands the scope of U.S. interests -- largely fostering the growth of a democratic, free market society -- in this impoverished African country and pursues these limited interests with intelligence and zeal.
- A major challenge to the successful accomplishment of USIS Malawi's goals and objectives is the dispersal of its primary audience among three cities. This causes the public affairs officer (PAO) to travel frequently and results in this officer being spread too thin. The October 1999 consolidation of State and USIS combined with more effective use of the ICASS council should

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relieve the PAO of substantial administrative responsibilities and allow the officer to focus more on program activities.

- The quality and responsiveness of the administrative support services provided to mission personnel at this Special Embassy Program (SEP) post is only marginally satisfactory. This situation is the direct result of the extensive American staffing gaps the administrative section has endured, particularly over the past 6 months, plus the high turnover among Foreign Service national (FSN) employees, and the need for additional training of the FSN staff. The problems encountered at this SEP post fully reflect the findings of the OIG inspection of the SEP program.

Embassy Kampala, Uganda (ISP/I-99-05)

Embassy Kampala's staff is spread over seven locations in the city, and the chancery is crowded and inefficient. The embassy has tightened security precautions following the bombings of embassies in Kenya and Tanzania. Both the Ambassador and DCM are exceptionally effective and caring managers, and directed the mission's handling of a high number of VIP visitors in 1998. U.S.-Ugandan relations are sound, although there are occasional strains caused by Uganda's extraterritorial activities and the slow pace of democratization. U.S. investments, exports, and trade to Uganda are growing.

Key Issues Identified

- One officer handles economic, commercial, and consular affairs, but the demand on all three services has increased greatly. The mission requires a new consular officer to handle the needs of an expanding American community and carry out growing consular services. This would allow the economic/commercial officer to work full time on the promotion of U.S. trade and exports.
- The mission performance plan (MPP) is an excellent document, which the embassy used to establish six core teams organized around MPP goals. Each team brings together relevant individuals from all agencies for monthly discussions of developments and issues in its subject area.

Compliance Follow-up Review of the Inspection of the U.S. Mission to NATO, Brussels, Belgium (ISP/C-99-03)

The Compliance Follow-up Review found generally excellent compliance with the previous inspection (ISP/I-97-45 September 1997) although it reopened one issue, revised three unclosed recommendations, and opened three new ones based on new circumstances. OIG found that, as anticipated in the previous inspection, the agenda of the North Atlantic Treaty Organization (NATO) has continued to grow as the Alliance expands geographically and programmatically. NATO is now the focus, as never before, of security policy and practice for a total of 44 (up from 16) Euro-Atlantic nations. The U.S. Mission to NATO (USNATO) has not expanded commensurably, and the mission remains caught in the classic constraints of “doing more with less” resulting in work overload and reduced morale.

The mission’s new leadership (five of the top seven positions) has heightened productivity but the modest restructuring plan (as a result of OIG recommendations) has emphasized functional integration while leaving the traditional State-DOD division largely intact, and State as a junior contributor. A \$450,000 increase in the State Department’s contribution to the operating budget deserves favorable consideration in Washington. The OIG-recommended cost-sharing agreement had been negotiated, but needs to be reviewed by the interagency International Cooperative Administrative Support Service (ICASS) staff to see how ICASS methodology and cost control features can be incorporated.

Since USNATO is unique as a joint, integrated mission to a multilateral treaty organization, the CFR acceded to the Mission’s retention of a unique administrative structure. However, it recommended that a joint State-Defense review group periodically examine the USNATO Mission Performance Plan and cross-agency requirements such as a new NATO headquarters building (with space for USNATO) to determine what each agency can contribute most effectively.

USNATO has greatly improved internal controls, which now rank as a “best practice” in OIG’s view. OIG recommended joint oversight by the management agencies, State and Defense, and by the State/IG and DOD/IG to preserve and extend the improvements in this unique mission. The CFR also cited as a “best practice” USIS’s creative refocusing of a routine security conference into an informal but policy-relevant exchange between U.S. Government policy makers, NATO officials, and various international organization leaders.

Inspection of the Border Biometrics (Laser Visa) Program (ISP/I-99-12)

The Border Biometrics Program, also known as the Laser Visa Program, was initiated by the Department to comply with Public Law 104-208, the Illegal Immigration Reform and Immigrant Responsibility Act (IIRIRA). IIRIRA amended the Immigration and Nationality Act.

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Section 104 of IIRIRA requires that the biometrics identifier (such as a fingerprint or handprint) be incorporated into border crossing cards by September 1999, and that entry into the United States be denied unless the biometrics identifier on the card matches that of the alien. The Omnibus Consolidation and Emergency Supplemental Appropriation Act of 1999 (Public Law 105-277), amended IIRIRA, extending the deadline for implementation of the border crossing identification card to September 2001.

The program is a partnership between the Department and the Immigration and Naturalization Service. The laser visa replaces the border crossing card and is more tamperproof than previous documents; however, many problems reduce the effectiveness of the program. The lack of visa processing equipment at consular posts in Mexico and continued issuance of nonbiometrics 10-year visas are problems that must be addressed by the Department. The Immigration and Naturalization Service, which has experienced delays in card production, checks applications against an inadequate criminal database, and has no plans to check each alien's identification card at the border. Efforts by both the Department and the Immigration and Naturalization Service will be needed to correct these problems. The issues jeopardize the timely implementation of the program and compromise its enhanced border security protection.

The Department hired a contractor to augment the visa processing work through a Department of Justice government-wide acquisition contract. OIG found that the Department's on-site supervision of the contractor's work is insufficient and should be improved. In addition, the Department of Justice expressed concern that construction work was added to the existing services contract. As a consequence, the Bureau of Consular Affairs canceled plans to construct temporary processing facilities in southern Mexico. This cancellation, the collocation of some temporary processing facilities with existing nonimmigrant visa units, and the congressional amendments to IIRIRA will require modification or cancellation of the services contract.